

Hungarian PES Yearbook of 2008



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Greeting

Károly Pirisi
General Director

Let me greet every Reader of the Labour Market Yearbook of 2008 of the Hungarian Public Employment Service. It has become a tradition to prepare this instructive publication which surveys the achievements of the previous year and allows us to review our previous plans and programmes in a systematic way. Last year's summary is a useful document of the activities of the PES: it has not been an easy year, but I am firmly convinced that we have all done our best to cope with the tasks delegated to us. In most of 2008, we have worked on the finalisation of the programme concept of "The way to work". This year, we shall deal with the co-ordination, training and communication tasks associated with the central implementation of the programme, but we shall also have to cope with the expected major increase in our client turnover.

As a new line of duty, the staff members of the Social Division set up the new financing system of the support services and the basic community provisions. The organisation is now ready to receive the recipients of rehabilitation benefits. One of the central development issues in 2008 concerned the Integrated IT System based on new standard operating procedures. The start of the everyday use of the IS will be one of the decisive events of this year, beside the application of many new developments launched in the previous years. NESO set out to deploy the ISO 9001:2000 quality management system. According to the plans, certification may take place in 2010.

The biggest development programme of the organisation so far, at least in volume terms, ended last year. The successful implementation and termination of HEFOP¹ 1.2. provided lots of experiences in possession of which we have every reason to look ahead with confidence to the implementation of other EU programmes. The HEFOP experiences will facilitate the launch of TÁMOP, the Social Renewal Operational Programme, and of TIOP, the Social Infrastructure Operational Programme, in 2009. The Labour Market Yearbook of 2008 of the Hungarian Public Employment Service surveys the past year and takes stock of our often tiresome, but nonetheless effective work. The ideas expressed in the yearbook are not about past plans, but about the road ahead and the tasks to be solved in the future. Our organisation is responsible for its clients; it must provide personalised services, as fast and with as much circumspection as possible. We must live up to the expectations of our clients, the public and of course ourselves, and that will only be feasible by efficient action and closer co-operation with the clients.

Our staff members must flexibly adjust to the changes; they have to master new skills that will steel them to do their daily work more professionally and in a simpler way. The increased stock of job-seekers should be shepherded towards the opportunities open to them through fast and precise administration and, as experts, we should tread the path to development ourselves.

I sincerely hope that the summary of the year 2008 of PES will be an exemplary reading for every interested reader.

¹ HEFOP is the Hungarian abbreviation of the Human Resources Development Operational Programme.

International and EU trends in employment

In 2008, the labour markets of the European Union were characterised by most spectacular turns. The employment expansion trend of 2007 propelled by accelerating economic growth broke last year. In Hungary, economic output growth, lower than in the majority of the OECD countries on a year-on-year basis already in the first two quarters of 2008, plunged from the third quarter on.

At that time, the OECD countries were characterised by GDP expansion by 0.8% on average, and actually decline in some countries over the corresponding period of the previous year (e.g. Italy and Japan). By the last quarter of 2008, economic performance overall had already declined: the GDP of the OECD countries fell by 1.1% year on year, as a clear sign of the knock-on effect of the financial crisis on the real economy.

The economic output of the EU also shrank by 1.5% in Q4 relative to the same period of the previous year (the decline was biggest in the United Kingdom and in Japan). Nevertheless, the crisis had but limited labour market impacts in 2008, due to the typical delay by 2-3quarters of the reactions of the labour market to changes in the real economy, and also to the introduction or more intensive use of various measures to enhance labour market flexibility (e.g. shorter working times, temporary suspension of production, etc.) With the help of such measures, companies can avoid lay-offs by re-organising production and by applying flexible forms of employment, with significant central support in most countries.

The development of the employment and unemployment rates confirms the above, that is, the limited labour market effect of recession in Europe last year. In the EU as a whole, the employment rate of the 15-64 year-old was actually higher in Q3 than one year earlier. At that time, the average employment rate of the EU was still as high as 66.4%. Despite the marked slow-down of employment growth during the year, negative growth occurred in the last quarter only. No aggregate EU data are available yet for the entire period, but Q4 data are known already for the 15 old Member States and the new members also, with some exceptions.

Accordingly, in Q4 2008, the average employment rate of the EU15 was only 0.2 % point less than a year before, and several countries showed no visible sign of employment decline at all. The drop was most market in Ireland, Spain, Sweden and Great Britain; in the first two countries, employment shrank by around 3 percentage points.

In the decisive majority of the new Member States, on the other hand, no decline was observed in Q4 2008 on a year-on-year basis (this was the case in the Czech Republic, in Poland, Slovakia, Romania, Slovenia, Bulgaria and Estonia), albeit the pace of growth decelerated significantly during the year even there.

Three post-socialist countries, on the other hand, namely Latvia, Lithuania and Hungary, recorded contracting employment already in the 1st quarter of 2008. In Latvia, the employment rate fell by almost 4% points over the same period in 2007. In Lithuania, stagnation turned into decline in the second half of last year already, and in Hungary, employment has been shrinking throughout the year. Within the European Union, the lowest employment rates were recorded, as before, in Hungary and on Malta: Hungary has a backlog of 9.1% as compared to the EU average, and Malta of 10.3% (Q3 2008 data).

Owing to the rather unpredictable labour market effects of the economic crisis, the prospects of the fulfilment of the Lisbon targets are rather gloomy, especially in the light of the above, i.e. the phase shift in the manifestation of the effects of the crisis in the labour market figures.

The break of the employment expansion trend observed in 2008 was concurrent with the growth of unemployment in Europe and also in the non-European OECD countries. In the European Union, unemployment contracted most markedly in 2007 in the period since the millennium.

Contraction, however, gave way to stagnation in the second and third quarter of last year and to growth in the fourth one. In the fourth quarter, the EU15 unemployment rate was 7.6%, 0.7 percentage point higher than one year earlier¹. Unemployment grew fastest in the Q4 2008 in Ireland, Spain, Sweden and Great Britain and, from among the new members, in the Baltic States.

According to the latest data (Q4 2008), Spain recorded the highest unemployment rate in the EU at 14.0%, but the corresponding rates of the Baltic States were also higher than the average. In Hungary, after a minor increase, the unemployment rate is currently somewhat higher than the EU average².

In the Central European countries having joined the EU in the same round as Hungary, and in Romania and Bulgaria, no unemployment growth was recorded in Q4 2008 yet. Both the Polish and the Slovakian unemployment rate fell by 2% over the corresponding period of 2007.

In the USA, unemployment grew even faster than in the European Union: data for December 2008 projected increase by 2.3% relative to the corresponding period of the previous year. Nevertheless, despite the faster rise, the unemployment situation is still more favourable in the USA and in Japan than in the European Union. In the whole year of 2008, the unemployment rate was 5.7% in the USA (following an increase by 1.1% over one year), whereas in Japan it was 4.1%. The latter also meant growth, albeit at a slower pace than in the USA³.

¹ In the EU as a whole, the unemployment rate was 7.3%, higher by 0.5% point in Q4 2008 than a year earlier. In December, it already grew by 0.8% point relative to the corresponding period of 2007.

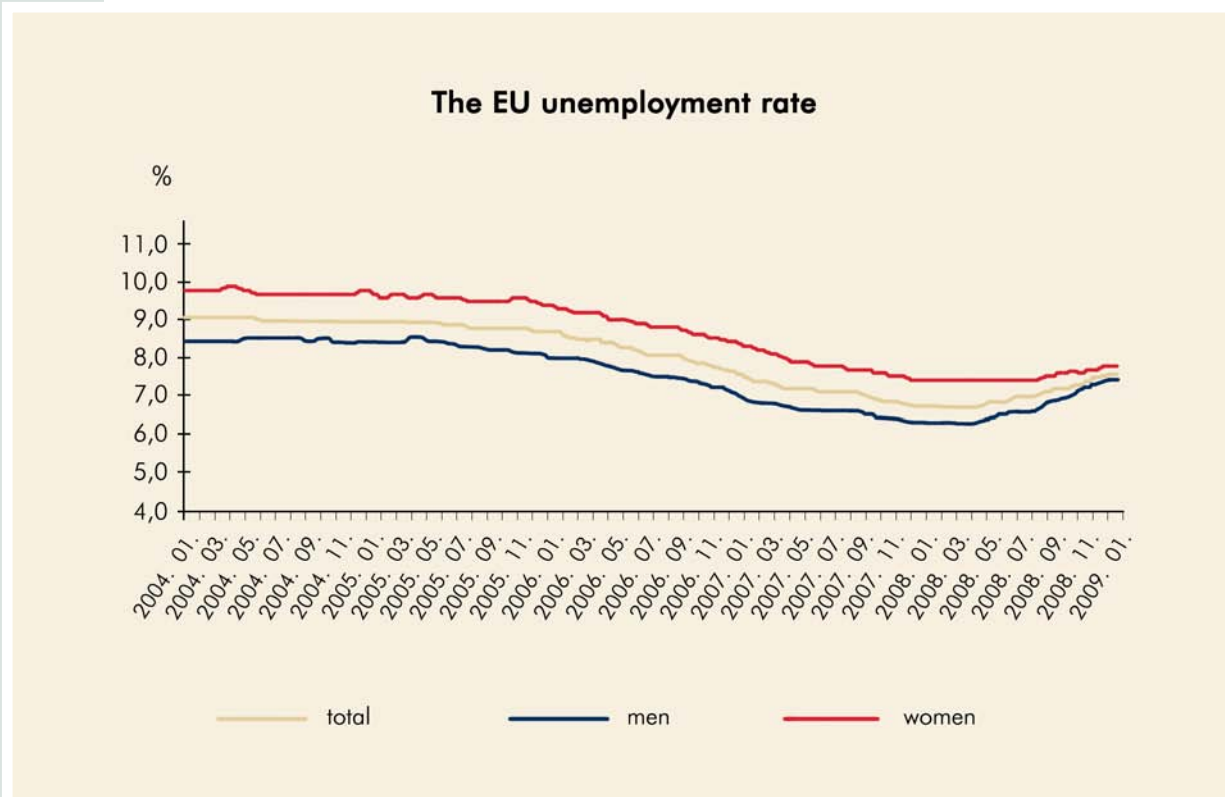
² It is a special feature of the Hungarian situation, however, that the unemployment rate, which used to be relatively favourable in EU comparison, but is already higher than the EU average, is accompanied by a very low employment rate.

³ For the EU as a whole, the figure for 2008 was 7.0 %.

The negative impact of the economic crisis typically affects the youth and people employed on a fixed-term basis first⁴. Moreover, it hits men harder than women, as indicated by the faster increase of the male than the female unemployment rate in the past months in the EU overall. The unemployment rate of the youth (ages 15–24) also rose markedly: it has been on the rise in the EU since March; its rise accelerated from August on, especially among the young men, to reach 16.6% by December.

The economic crisis provoked significant lay-offs all over Europe and, since the notice periods of those concerned expire with certain phase shifts, the unemployment growth trend is expected to prevail. In the months since the beginning of the crisis, redundancies announced in the EU have hit hardest the metal and engineering and the automotive industries, the financial services and transport and warehousing.

In numerical terms, in the 4 months from October 2008 to January 2009, the EU lost more than 100 000 jobs in these sectors.



Source: EUROSTAT, harmonized series on unemployment, seasonally adjusted data

⁴The Hungarian experience is that companies typically start by laying off temporary agency workers.

Domestic labour market developments

In 2008, within the Hungarian population aged 15-64, some 4 178 thousand were present in the labour market, corresponding to an activity rate of 61.5%. As compared to the previous years, the main labour market indicators projected a deteriorating trend: the number of the employed dropped by around 50 thousand and that of the unemployed increased by 17.2 thousand. All in all, the activity rate fell by 0.4 percentage point. In 2008, 56.7% of the population aged 15-64 was employed; their annual average number was 3 849 thousand.

The employment rate fell by 0.6 percentage point over one year. The level of employment has remained well below the corresponding European Union average; the gap amounts to 9.1 percentage points¹. The number of the unemployed – as measured by the Labour Force Surveys, according to the relevant ILO methodology – was 328.8 thousand in 2008, which corresponds to an unemployment rate of 7.9%.

Whereas in 2007 the Hungarian unemployment rate was close to the EU average (and in the previous years it was actually quite favourable in comparison), in 2008, it exceeded the EU average by almost 1 percentage point (according to the latest data, in Q3 2008, the unemployment rate was 7.8% in Hungary and 6.9% in the EU.)

Employment rates in some special groups in Hungary and in the EU, Q3 2008 (%)

Employment rate		Hungary	EU27
Ages 15–64		57.3	66.4
Ages 15–24		20.8	38.8
Ages 55–64		32.0	46.0
Ages 25–64	primary education	28.3	48.8
	secondary education	63.8	71.1
	higher education	79.5	83.7
Part-time employment		4.4	17.3
	women	5.7	30.1

Hungary's relative labour market position compared to the EU has deteriorated in recent years, since in the majority of the EU countries, both the employment and the unemployment rate improved in 2008 (especially in the former socialist countries of Central Europe).

¹ Here and in what follows, international comparisons are based on the most recent available data, i.e. those of Q3 2008.

The low rate of employment in Hungary is partly explained by low participation rates at the two extremes of the age scale. One fifth of the youth (ages 15-24) is at work, whereas in the EU the corresponding rate is 39%. Youth employment decreased somewhat last year, so the gap relative to the EU average widened.

The employment rate of the elderly (ages 55-64) increased until 2006 (parallel with the elevation of the retirement age limits), and is has been moderating since then. In 2008, the annual average employment rate of the elderly was 31.4%, i.e. 14% points less than the corresponding EU average.

Participation rates vary most markedly also by level of education. The other essential component underlying the low Hungarian employment rate is the much bigger difference between the employment rates of persons with low and higher education, respectively, than in the EU countries. In Hungary, less than 30% of persons with maximum 8-year primary education is at work, as opposed to the corresponding rate of almost 50% measured in the EU.

The low rate of employment in Hungary is accompanied by the low spread of the atypical forms of employment. For example, the weight of part-time employment has shown no change of merit for years: in 2008, 4.3% of the employed worked this way, and this is well below the corresponding EU average.

A more detailed analysis of the employment rates shows that there is no backlog relative to the EU in terms of the employment of those of prime working age and those with higher-than-primary education. This is especially true if, instead of the traditional employment rate, the employment situation is assessed by the rate of those in employment on the reference week, or by the employment rate converted to full-time equivalent (FTE). For, the relevant figures suggest that relatively few work relatively much in Hungary.

In 2008, the number of registered job-seekers rose by 3.6% on annual average

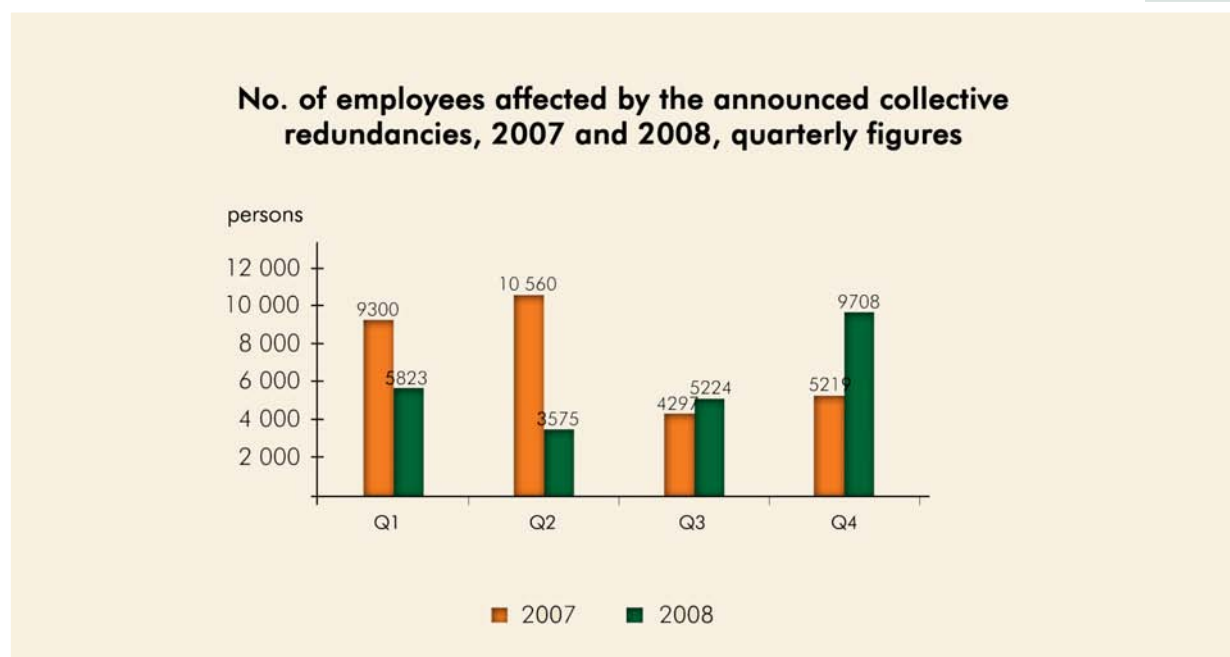
There were 442.3 thousand registered job-seekers in 2008 on annual average. Their number increased by more than 15 thousand relative to 2007. Moreover, it speeded up in the last months of the year. Considering the entire year of 2008, the PES centres and offices recorded 3.6% more job-seekers on average than a year earlier. From February to October, the rate of growth over the corresponding month of the previous year was 2-4%. By November, however, it rose to 6.2% and

by December to 7.3%. The changing dynamic was a clear sign of the labour market effects of the economic and financial crisis.

The so-called relative indicator (rate of registered job-seekers to the economically active population) which measures the regional disparities showed marked differences on annual average, as before. In 2008, it was 10.0%: the lowest rate (3.6%) was recorded in Central Hungary, and the highest one (17.8%) in Northern Hungary. The latter pole was shared by the Northern Great Plain Region and Southern Transdanubia (with relative rates of 17.5 and 14.3%, respectively).

A projection of the regional developments since the beginning of recession suggests that, in the future, the narrowing of the regional gaps will be due first and foremost to the deterioration of the relative position of the regions that used to be better off.

Economic recession has brought about the biggest changes in the labour market environment of the more prosperous labour market areas, as indicated by the collective redundancy figures.



Considering the entire year of 2008, the number of collective redundancies announced to the Public Employment Service was lower than in the previous year at 24 330 and 29 376, respectively.

However, the chronological development of the announcements reveals a major turn last year, due clearly to the emerging economic crisis. Whereas in the first and second quarter of 2008 the companies reported the envisaged lay-off of 10 thousand less employees than in the same period of 2007, in the third and fourth quarter, the relevant figures grew by 21.6% and 86.0%, respectively. That is, the number of lay-offs rose suddenly in Q3 2008, and has kept accelerating thereafter.

In regional breakdown, however, the dynamic growth of the reported redundancies was far from even. The negative employment effects of the financial developments were most prominent in two regions: Central and Western Transdanubia.

More moderate growth of the number of career-starter job-seekers

In 2008, the number of career-starter job-seekers was 41.4 thousand on average; that is, 9.4% of all job-seekers belonged to this category. Although this ratio grew at a slower pace (by 2.8%) in 2008 than in 2007, the annual development trend was similar to the one observed in the total population of job-seekers.

The number of degree-holder career-starter youth kept decreasing in 2008: it moderated by 15.0% relative to the previous year. This positive trend has been observed since 2006 and it is most probably attributable among other things to the popularity of the so-called START cards available to career-starters (before 2006, the number of degree-holder career-starter job-seekers had been increasing steadily).

In addition to the graduates, the number of career-starters with training school or vocational school qualification has increased as well, whereas that of persons with maximum 8-year primary education and that of GCSE-holders both increased.

The rate of long-term job-seekers has kept increasing

Unfortunately, long-term unemployment continued to grow in 2008. The number of job-seekers registered without interruption for at least one year was 141.7 thousand on average in 2008, representing growth by 17.2% over 2007. Their ratio was 32.0%, with major regional differences once again: it was lowest in Central Hungary (18.2%), and highest in North Hungary (41%).

Increase in the number of regular social aid recipient job-seekers

30.1% of registered job-seekers was provided job-search assistance in 2008 on annual average; their number essentially stagnated as compared to the previous year. A major part (72%) received job-search benefit, and a minor part job-search aid. Another one third of job-seekers was provided regular social aid (33.4%); their number expanded by 10.9% over one year. All in all, 63.5% of registered job-seekers received some kind of provision, and almost 36.5% received none.

Increase in the number of non-subsidised jobs not announced to foreign nationals in 2008

The employers announced a total of 393.3 thousand new vacancies to the PES offices in 2008, i.e. 3.1% less than in the previous year. 36.1% referred to subsidised jobs (142.2 thousand), and 63.9% to non-subsidised ones (251.1 thousand). One fourth of the latter was announced by the employers to foreign nationals. The demand for foreign workers fell faster than the average (by 33.6%) over one year, whereas the number of subsidised vacancies and of non-subsidised ones not announced to foreigners actually increased (by 6.6 and 5.9%, respectively).

There are typical regional differences by type of reported vacancy. In the regions characterised by a more favourable labour market situation, the proportion of subsidised vacancies was lower than the average (hence e.g. in Central Hungary, 9 of 10 announced vacancies belonged to that category in 2008), but there were three regions where the proportion of subsidised jobs was higher than 50% (Southern Transdanubia: 61.6%; Northern Hungary: 59.9%; Northern Great Plain: 50.6%).

It is a sign of economic recession that in the last two months of 2008 the number of the reported non-subsidised vacancies dropped by 25% in comparison with the corresponding period of the previous year. The decline was fastest in construction (43%) and manufacture (32%). Within the latter branch, it was especially marked in vehicle manufacture and in the manufacture of non-metallic mineral products. (In the former, it was 82%, in the latter, 69%.)

The active employment policy measures promoted the employment of almost 195 thousand

A total of 194.6 thousand took part in the active employment policy measures designed to promote the employment of job-seekers in 2008. 89% participated in programmes funded from

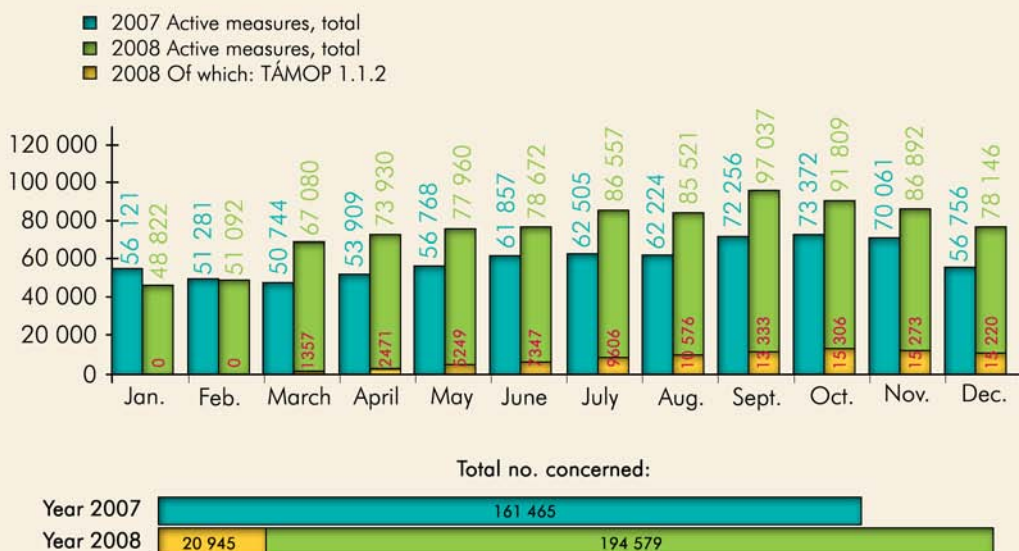
the decentralised (and partly central) budget of the Employment Fund Segment of the Labour Market Fund (Hungarian abbreviation: MPA), and 11% in the “Decentralised programmes advancing the employment of persons in a disadvantageous situation” under TÁMOP 1.1.2.

The total number increased by 20% relative to 2007; two thirds of the increase was due to support provided under TÁMOP 1.1.2. The monthly changes in the number of participants followed the trend of the previous years, albeit the numbers were somewhat higher.

Most people (32.4%) did some kind of community service work; this rate is lower by 6.7% points than in 2007. 26.9% worked with wage and wage-type subsidy; this rate has not changed. 28.4% of persons involved in the active measures took part in labour market training with support; this rate grew by 2.6% points relative to the previous year.

In 2008, 3.7% received support to start a business of their own; 0.7% point more than in 2007. Almost one third of persons supported under other, less populous, measures (5.3 thousand) was employed in jobs created with job-creating investment support.

**Participation in the active employment measures,
2007–2008 (no. of persons)**



Paradigm change in employment policy – key tasks of the organisation

Preparation for the programme “The way to work”

It has become a declared social expectation in recent years that regular social aid recipients capable of and ready to work should take a more intensive part in some form of public work and hence get closer to the labour market and earn a regular labour income. Social aid ought to be limited to those who cannot work due to their age, state of health or special individual conditions.

A special role is assigned in the implementation of “The way to work” to local municipalities and their partnerships which now organise community service employment for more job-seekers eligible for availability allowance than before as part of their employment functions, on the basis of the community employment plans. To make community service employment as efficient as possible, the local municipalities and partnerships draw up community employment plans for one year, and the employment service contributes to their preparation as well as implementation on a continuous basis.

To encourage community service employment, as of 1 January 2009, the proportion of central vs. municipality funds was altered and, as a consequence, the former system of community service employment underwent significant transformation. For persons below the age of 35 and with less than 8-year primary education, the termination of primary education or participation in training to acquire the initial competencies to enter vocational training has become a condition of eligibility for social provisions.

This may be followed by assisted participation in vocational training programmes to promote (re)integration into the open labour market, in the form of labour market training with support or of complex labour market training programmes based on domestic or EU funds.

Mobilitás national youth service: achievements in 2008

Mobilitás, which was restructured and assigned new competences in 2007, dedicated the year 2008 to the deepening of the professional processes designed and launched by it, and to the establishment of extensive co-operation relationships. In line with its role as developer, promoter, co-ordinator and initiator, and with the priority objectives of its 3-year strategy, its efforts focused on promoting the advancement and social recognition of youth work and its development into an independent profession. Mobilitás gave special emphasis to structured dialogue between the youth and the decision-makers as a method and means to boost the social participation of the youth worthy of integration into the practice of Hungarian youth policy.

Of special relevance for Mobilitás in 2008 was the preparation and implementation of the European Youth Week initiated by the European Commission under the signs of Europeanism, European values and dimensions, which determined the activity of the entire organisation system. Thanks to the efforts of Mobilitás and its co-operating partners, genuine discourse started at several points of the country about issues of relevance to young adults.

This structured dialogue continued and culminated at the national level in Parliament: Mobilitás had the honour to assist with the meeting of the youth and the highest-level Hungarian decision-makers, and an opportunity to lay the bases of its own professional contacts with Parliament.

The various units of Mobilitás all agreed that 2008 was a most colourful, constructive and progressive year as far as the activity and contact network of the institution as a whole was concerned. Of course, the achievements and successes were due to a large extent to collective thinking and co-operation with the civil organisations, youth communities, trainers of the various regions, the experts and institutions of different areas.

Let us list here the most prominent partners of Mobilitás in 2008: European Youth Centre, Budapest (BEIK); Tempus Foundation; Network of Youth Experts Initiative (ISZT); Foundation for Democratic Youth (DIA); National Federation of Disabled Persons' Association (MEOSZ); Institute for Social Policy and Labour (SZMI); Hungarian Association of Youth Information and Counselling Offices (HAYICO); Office of the Parliamentary Commissioner for Citizens' Rights; Family, Child, Youth Association; Hungarian Donors' Forum; EU Line.

“Take a step forward” programmes – 2008

HEFOP 3.5.3: “Take a step forward”

The adult training programme supported by the European Union since end-2005 was to end in April 2008 according to the original plans, but funds liberated from other sources have made it possible to assist another almost 5000 adults under it. Hence over the 36 months of the programme, a total of 20 107 trainees took part in vocational training and bridging training to finish grades 7-8 of their primary school studies. The labour market position of the trainees, who were provided assistance mainly to master shortage vocations, has improved following the examination. According to the relevant questionnaire results, 60% of job-seekers found a job, and 85% of employees said their job became more secure than it used to be. The drop-out rate was not significant: it was 1.4-4.9% on average. In addition to being reflected by the measurable,

quantitative, indicators, the results have strengthened the participants' motivation to learn. With their experiences so far, they are much more likely to enrol in training in the future.

TÁMOP 2.1.1: "Take a step forward", Phase II

HEFOP 3.5.3 was followed by Phase II of "Take a step forward" at the end of 2007. Both the number of trainees involved in bridging training and feedback from the mentors suggest that intensive interest in the programme shown by adults at a disadvantage is due mainly to this form of support. The programme gives adults with obsolete vocational qualifications a chance to acquire marketable vocational skills.

The application period had to be terminated 6 months earlier than planned, since there were two times as many applicants as places already in the first months. 19 402 persons will be provided assistance under the programme; 12 605 among them have already passed their closing exams. The programme budget is HUF10.665 billion.

Employment measures; central and regional labour market programmes

Employment promotion supports

Before 1 January 2007, employment promotion, i.e. the more intensive employment of certain social groups, was assisted by various, often overlapping, forms of support. The amended Employment Act and Decree No. 6/1996 (VII. 16.) MüM of the Minister of Labour cancelled some of the measures and set different conditions and altered the contents of others. The scope of the term “job-seeker” has been extended, as a result of legal harmonisation, so as to correspond to the interpretation in Community legislation.

Employment promotion to underprivileged job-seekers is to improve their employment situation, raise their employment rate, ease the employment tensions and support job-seekers. Training support, for instance, increases the employability of the job-seeker and helps employed persons keep their jobs. Job-seekers are eligible for support also if they want to become self-employed by starting a business of their own or by joining a partnership.

Employers hiring underprivileged or disabled job-seekers are eligible for wage subsidy to the extent of a predefined ratio of the relevant wages and wage-related contributions or to wage cost subsidy as part of the labour market programme. Another wage-type subsidy is provided for community service work, i.e. employers who assume some public service function or municipality task of relevance for the population or the settlement or some other community activity.

Non-repayable job-creating subsidy is available to employers who offer to hire extra staff and provide them permanent employment, to cover part of the costs of creating a new job or expanding established workplaces, or the construction costs, or the procurement of tangible and intangible assets related to the introduction of new technology.

Employers are eligible for support to carry out investments to promote the employment of persons with changed work capacity, to create an inclusive workplace and to provide rehabilitation employment.

If the employer intends to terminate the employment of an employee by ordinary notice, due to some reason related to its operation, he may request job preservation support. As for the solutions of problems encountered during redundancies, the subsidy available from the Employment Fund Segment of the Labour Market Fund to alleviate the detrimental consequences of collective redundancies may provide effective support. This is conditional on the fulfilment of the employer’s legal obligations to take measures to launch the consultation concerning the collective redundancy and to commit itself to the establishment and operation of a redeployment

promotion committee (Hungarian abbreviation: MEB) at the site of the redundancy to assist the workers there.

The Minister of Social Affairs and Labour defined certain guidelines for the Hungarian Public Employment Service for 2008 to promote employment, raise the employment rate and enhance employability and adaptation. Pursuant to the Guidelines, complex programmes are to be launched, which match the needs of the target groups and the special life situations of the individuals concerned as well as the local labour market demand, in order to promote the labour market re-integration of the members of the disadvantaged target groups (the elderly, the youth, the Roma, women, people with low schooling, people with changed work capacity).

Owing to the deteriorating trends, as of 2008, the guidelines for the regional PES centres define the priority target groups of the employment promotion/employability enhancement measures in a breakdown by region.

According to the methodological recommendation of the Minister of Social Affairs and Labour, the heads of the regional PES centres are to distribute the funds among the small regions proportionally with the weight of the problems encountered there; they must allocate a higher-than-average budget share to small regions suffering from multiple disadvantages to promote the employment of their residents and radically improve their situation. Furthermore, they must use the mobility support schemes more intensively than before in deprived areas where vacancies are available within commuting distance.

The flagship programme called “No one left behind – Opportunity for those living in the most disadvantaged settlements” affects 33 small regions, and with the complementary programmes and supports of the Ministry of Social Affairs and Labour, a total of 47 small regions of four regions (Southern Transdanubia: 9; Northern Hungary: 15; Northern Great Plain: 15; Southern Great Plain: 8) have been provided support to improve the conditions of living and work opportunities of some 1.5 million people in all.

Active labour market measures

Support for community service work

In terms of the number of participants, community service work (“public works”) has remained the most frequent form: 63 100 took part in it in 2008. There was no change of merit in regard of

its organisers either: the most frequent users were the local municipalities and their institutes, and various museums, foundations, associations, centres of culture, fire brigades, civil organisations, not-for-profit institutions and churches. The activities typically concerned communal work, representing four fifths of all public works. The priority target group was persons with no vocational qualification.

Support for labour market training

A total of 53 500 persons took part in employment promotion training in 2008, and 3500 were provided assistance to retain their jobs. The decisive majority of trainees (74.1%) participated in courses offering vocational qualification according to the National Qualifications Register (NQR); a minor part (22.8%) was involved in training for semi-skilled workers or brush-up training, and the smallest segment (3.1%) learned a foreign language.

Almost one fourth of the training events was proposed by the PES offices, and the rest was proposed by job-seekers and approved by the PES. In the area of labour market training, the placement rate rose significantly as compared to 2007. In the area of training proposed by the PES, it rose by 10.1%, and in that of training approved by the PES by 3.3%, resulting in placement rates of 46.8% and 52.5%, respectively.

Wage subsidy to promote employment expansion

Wage-type subsidies represented 22% of all active measures. In 2008, 41 863 persons were provided wage subsidy to promote the expansion of employment, more than in the previous year, and the amount of funds allocated for this purpose was raised as well.

Contribution relief available on subject's right

The employment of members of the most underprivileged social groups is promoted by contribution reliefs instituted by special legal regulations (START, START Plusz, START Extra cards, respectively).

The change of the efficiency indicators from 2007 to 2008 shows that in the category of wage subsidy to promote employment, the placement rate rose slightly, by 1.5%, whereas the per capita subsidy amount was significantly higher, by 67.6%, than in the first half of 2007.

Self-employment support

Almost 7000 received self-employment support in 2008. The relevant efficiency indicators suggest that the rate of enterprises active at the time of the monitoring survey fell by 6.1 percentage points relative to the corresponding period of the previous year, whereas the unit cost of support rose by 61.8%.

The small regions involved in the flagship programme have shown very little interest in support to start one's own business, because in the economically and infrastructurally more backward areas, the enterprises are less viable, whereas in the small regions that are better off, more job-seekers contemplate and use this option.

Mobility supports

In the first half of 2007, mobility support (assumption of the costs of local transport, and support for collective transport) was provided to 1.8 thousand job-seekers and in the same period of 2008 to 1.3 thousand; the corresponding annual figures were 2.1 thousand and 2.0 thousand, respectively. Within the total stock, 45% received support for local transportation in 2007 and 70% in 2008.

Job-preservation support

This option helps the employers bridge their temporary liquidity problems and retain the employees. Although this would be most important in the disadvantaged small regions, the support amount is not substantial there; it is well below the amount of other wage and wage-type subsidies. Job-preservation support affected a total of 3000 persons in 2008.

Regional labour market programmes

Southern Great Plain Region "Labour market service delivery" regional programme

Implementation period: 01 January 2008 – 31 December 2008. Programme objective: service-provision by external providers to 9 476 job-seekers

“For a ragweed-free region” labour market programme

Implementation period: 01 July 2008 – 30 September 2008. Programme objective: to promote the employment of the registered job-seeker/especially underprivileged residents of the region (e.g. persons of Roma origin, career-starters, persons over 50 and unskilled people) and, in parallel, to create a more liveable environment by reducing the level of ragweed infection with the contribution of 1 580 job-seekers in a disadvantageous situation.

“Development of the area” labour market programme

Implementation period: 2 June 2008 – 31 December 2008. Programme objective: to support the employment/training of 403 job-seeker residents of areas in a disadvantageous situation.

“Szeged without graffitis” project

Implementation period: 15 May 2008 z 31 December 2008. Pilot project to provide employment to 15 career-starter or long-term/unskilled residents of the Szeged small region, and to assess their vocational training chances and individual employability, to allow them to take part in labour market services to eliminate hindrances to employment, and to introduce them, simultaneously, to the objectives of creating a cleaner urban area.

Southern Transdanubian Region

“Early redeployment, 2007–2009”

Programme objective: to prevent the long-term unemployment of persons dismissed in major collective redundancies by assisting with their earliest possible redeployment and the enhancement of their placement chances.

Target group: persons who lost their jobs in collective redundancy affecting at least 40 workers. 205 such persons could be redeployed with wage subsidy, and 27 among them were provided support for commuting to work. 3 persons started labour market training with income supplementing allowance; 2 received self-employment support and another 2 found a job with wage subsidy to promote employment expansion.

Northern Great Plain Region

“Roma community developer assistant, III” labour market program

20 Roma assistants are active in the programme. With their contribution, 1 614 active-age Roma job-seekers (monitored target group) could be engaged in the programme in 2008; 360 among them found a job and 146 entered training. Under the programme, 1 075 kindergarten-age and 1 612 school-age Roma children were provided care. Absence from school dropped according to the quarterly data by 50% on average.

“Helper teachers” labour market programme

As part of the “Helper teachers” programme, the participants are provided special initial training followed by subsidised employment in a teacher’s job for nine months. 118 persons were provided training under the programme in September 2008. The employment phase started on 1 October 2008 and it is in progress now.

“Labour market manager” labour market programme

The labour market integration of the Gypsy population requires a complex approach with action along several dimensions, with so-called “liaison officers” to help create and operate the small regional network of Roma labour market managers. Initial training was followed by the subsidised employment of 109 labour market managers from 17 June 2008 on, and their further employment without subsidy for another 3 months. The persons involved in the employment phase work in 11 small regions of the region, at 66 municipalities of settlements where there is also a Gypsy minority self-government.

Central Transdanubian Region

“Establishment of the Roma Community Development Network in County Veszprém” labour market programme

The programme started in Veszprém, on 1 July 2008, in co-operation with the Independent Interest Protection Alliance of Hungarian Gypsies. It was meant to provide training to registered job-seekers

declaring themselves to be Romas, followed by the establishment of a helper network the members of which work on the basis of standardised principles at the Independent Interest Protection Alliance of Hungarian Gypsies and the Local Gypsy Self-Governments of the Settlements of County Veszprém. The direct aim of the programme was to help job-seekers in a multiply disadvantageous situation and declaring themselves to be Roma to enter the labour market and to remain there in the long run through a combination of the active employment policy measures. The programme will end in May 2010.

Western Transdanubian Region

“Horizon” labour market programme

Target group: 69 job-seekers registered at the Szombathely office of the Regional PES Centre of Western Transdanubia; 16 among them were provided training support, 25 placement support and 4 transit employment support to acquire some work experience.

“Learning assistance and work culture/career development to underprivileged, especially Roma, pupils through the operation of a learning workshop”

Programme objective: to promote the employment of 18 job-seeker teachers and skilled workers as mentors/tutors in the small regions of Győr, Tét, Pannonhalma, and to help keep underprivileged pupils at school, assist them to complete their studies and improve their social integration chances through an extra-curricular system of learning workshop sessions. Acquisition of a new qualification by jobless teachers/skilled workers to be employed as mentors/tutors in regional learning workshops. Career-building programmes were introduced in the same small regions as part of the career orientation system.

Central labour market programmes

“Post partner” programme

The “Post partner” gives persons having lost their job due to the reconstruction of the post system or given notice for the same reason, and who declared to be willing to take part in the programme,

an opportunity to have recourse to labour market services and even several forms of support in combination or in a hierarchical structure. As compared to the general rules, reliefs are offered also to employers undertaking to employ such job-seekers. The Steering Body of the Labour Market Fund provided a support budget of HUF897.4 million for the programme for the years 2008–2010.

In Phase I, 17 post offices were handed over to be operated by entrepreneurs in one county each of 3 regions (Somogy, Heves, Szabolcs-Szatmár-Bereg). At the end of 2008, in 5 counties (Tolna, Baranya, Veszprém, Csongrád, Budapest) of 4 regions, a call for applications for Phase II took place. Applications were received in answer to the public procurement tender announced by Hungarian Post PLC for the operation of 155 post offices.

Telework programme

Support is available under the programme to the labour wages and related contributions of teleworkers and to the establishment of the infrastructure required for such work and the maintenance of the jobs concerned. In 2008, 601 jobs were created with this form of support.

Programme “To promote the work experience acquisition of regular social aid recipient unskilled persons below 25”

A pilot was launched in 2008 in 4 regions to help regular social aid recipient unskilled persons below 25 get some work experience. Term: November 2008 – 31 August 2009. It is expected that some 200 persons, mostly young adults with qualification in a shortage vocation, will get some work experience.

Utilisation of the Labour Market Fund in 2008

The Budget Act of 2008 defined the revenues as well as expenditures of the Labour Market Fund (Hungarian abbreviation: MPA) at HUF394 billion. Following the mid-year appropriation modifications submitted to the Hungarian State Treasury – in regard of titles under the Budget Act –, both the revenue and the expenditure projection was raised by HUF5.7 billion, to HUF399.7 billion. The actual revenues of the Fund in 2008 totalled HUF391 billion, HUF8.7 billion (2.2%) less than the modified projection. The actual expenditures totalled HUF384.4 billion, 3.8%, i.e. HUF15.3 billion less than the projected amount.

The fact figures of the annual MPA revenues and expenditures are shown in the table below.

Main indicators of the fulfilment of the 2008 revenue and expenditure projections of the Labour Market Fund

Revenues	Actual revenues, 2008	% rate of actual revenues, 2008 to the modified projection	Expenditures	Actual expenditures, 2008	% rate of actual expenditures, 2008 to the modified projection
	billion Ft	%		billion Ft	%
Employer contribution	212.4	100.2	Employment and training supports	60.3	98.6
Employee contribution	97.6	100.8	TÁMOP 1.1: Labour market services and supports	10.6	94.4
Entrepreneurial contribution	13.8	90.6	TÁMOP 1.2: Employment-stimulating normative supports	2.2	42.6
Revenues of TÁMOP measures	1.3	11.0	Reimbursement of contribution reliefs	6.3	105.2
Other territorial revenues	1.3	113.1	Job-creating support for the purpose of rehabilitation	5.3	90.3
Other central revenues	5.5	114.5	Job-search support, entrepreneurial allowance	98.9	94.0
Vocational and adult training, other revenues	1.5	167.8	Vocational/adult training payments	33.4	94.4
Vocational training contribution	42.0	101.2	Wage guarantee payments	4.6	64.9
Rehabilitation contribution and repayment	14.7	102.8	Operation/development of the FM, PES, the NLI, the National Adult and Vocational Training Inst., OFA	30.3	100.0
Wage guarantee support repayment	0.9	94.3	Transaction fee	0.1	86.4
			Social dialogue programme	1.7	100.0
			Central budget payments, fund transfers (EU co-financing, public works, social security fund)	130.7	100.1
Revenues, total	391.0	97.8	Expenditure, total	384.4	96.2

PES contacts with employers and employees (services)

In line with the employment policy guidelines of the EU, the overarching objectives of Hungarian employment policy include employment expansion and also assistance to help people enter (re-enter) the labour market and to narrow the regional employment gaps. The Public Employment Service (PES) is the main executor of these tasks. The Hungarian PES has been subject to major professional and structural changes from its foundation to this day, always to meet the expectations of job-seekers and employers to the full. As a result of restructuring and the expansion of its functions, as of 1 April 2007, combined office and service centres have been created, to operate the established service infrastructure also in such special locations as e.g. the Rehabilitation Information Centres, Vocational Guidance Centres and the Job Clubs.

The main challenge for PES is to identify a sufficient number of vacancies for job-seekers. As the predominant client-friendly labour market service provider, it promotes the establishment of contacts and long-term co-operation of employers and job-seekers to attain the highest possible employment rate. In addition to their administrative tasks, the offices and combined offices and service centres provide various guidance services to promote the information/self-information of their clients. Both the client and the administrator must be in possession of extensive labour market information to ensure successful placement.

The table below sums up the headcount data of clients provided labour market service, by service type, in 2007 and 2008.

Summary data of labour market service activities		
Service type	2007	2008
Work guidance (individual)	66 507	108 396
Career guidance (individual)	11 325	18 847
Job-search counsel (individual)	171 105	266 948
Training of job-search techniques (collective)	10 033	11 541
Job club (collective)	991	1 178
Rehabilitation guidance	4 448	9 047
Psychological counsel	2 391	4 643
Altogether	266 800	420 770

As indicated by the data, the clients of the PES show a growing demand for all service types; in some categories, the case numbers almost doubled. The number of users of labour market services mediated by the PES offices multiplied by more than 1.5, i.e. it was higher by 153 970 in 2008 than in 2007. The highest numbers were recorded in job-search and work guidance.

Part of the labour market services are provided by civil and non-profit organisations, because the capacities of the PES centres are not sufficient to satisfy all the needs. External service providers answer tenders to provide subsidised services. In addition to the higher number of consultants, outsourcing means that most clients can access the services at or near their place of residence.

Labour market services to clients and efforts to promote the employment of job-seekers would be fruitless without adequate contacts with the other main actor of the labour market: the employers. In addition to co-operation with the social service system, the PES must be expanded also in relation to the companies and the employers. The employer contact network needs to be reinforced to cover a more extensive area of vacancies and to integrate them into the activity system of the PES. Employer contacts are the most efficient way to vacancy identification.

One of the priority targets set by the regional employment centres to the offices in 2008 was to make vacancy identification more efficient, i.e. to increase the number of reported vacancies and to have more extensive employer contacts. The offices realised this target with various methods aligned to the different givens of their respective areas.

In addition to supplying written information materials, the PES centres focus on personal contacts with employers, the representatives of the local municipalities, the partner organisations and the civil organisations. The office heads regularly visit the major events of the area, and the offices themselves organise conferences and employer fora. The combined office and service centres and the larger offices often appoint full-time employer contact administrators to intensify and enrich contacts with the corporate sector. In some regions, their work is supported by case and marketing managers.

The office heads themselves pay personal visits to major employers and also to the management of employers announcing major redundancies. This type of personal contact has become especially important in the second half of the year, as a means to alleviate the negative impacts of the economic and financial crisis.

In regard of employment promotion supports, the regional employment centres do their best to synchronise the various forms of assistance provided by different organisations. Resources co-

ordination has been realised in the area of support for job-creating investments. On the basis of the agreements concluded with the regional development councils, the regional PES centres have a clear view of regional developments funded from the tender budgets of the Regional Operational Programmes, in relation to which they can offer training programmes as well as labour market services and supports to promote the process of labour recruitment and hiring.

Thanks to the co-operation agreements concluded with civil organisations and administration bodies, the various actors can mutually assist each other's work through joint applications and collaboration as consortium members now that they have realised the advantages of such activities and of the co-ordination of the resources.

Service development programmes

HEFOP Measure 1.2 – Development of the Public Employment Service

The objective of the measure started in 2004 was to modernise the services of the Public Employment Service; to develop its human capacities; to roll-out the new service model; and to create a self-information area and introduce a quality management system at sixty offices. The professional activities were completed with success on 31 October 2008.

The following component-specific activities had been realised by that deadline (according to the contract amendment of 31 October 2008, the total budget used for this purpose was HUF9 199 875 651):

- Service development, strategic planning, research component
- Quality management component
- Training component
- Infrastructure development component
- IT development component

HEFOP Measure 2.2 – “Promoting social inclusion through the training of social professionals and the preparation of the co-operation model of the social and labour services”

Objective: to implement the model supporting the delivery of integrated labour and social services at seven pilot locations, and to provide IT support for the pilot. Main beneficiary: Institute for Social Policy and Labour (SZMI), co-operating as consortium partner of the National Employment and Social Office (NESO). The total budget was HUF147 313 000. The programme was terminated on 31 December 2008.

PES realised the following during the programme:

- development of an IT system to support the administration model;
- database development;
- update of the document templates; inclusion of the modifications; categorisation;
- update of the service catalogue;
- adjustment of the IT application supporting the administration model to make it suitable for supporting the administration of the TÁMOP 5.3.1 programme;
- preparation of training film.

TÁMOP 1.3.1 – “Development of the employment service as part of the integrated labour and social system – Phase I”

This priority project, based on the output of the previous PES development programmes (Phare, HEFOP), was designed to improve the efficiency of the active labour market policies and to reinforce the capacities of the organisation. As a result, in line with the expanding professional functions of the PES, the labour market reintegration opportunities of participants in employment rehabilitation, of the underprivileged and the inactive will improve in this new setting.

Envisaged activities of the priority project:

- Service development component
- IT development component
- Strategic management and regional planning support component

Implementation of the targeted training programme to promote awareness-raising in relation to telework

The programme is related to Project 1.3.2. of the TÁMOP priority project 1.3.1. Its objective is the implementation of the communication elements of the project. It is funded from the Training Fund segment of the MPA, pursuant to the grant agreement concluded with the National Institute of Vocational and Adult Training on 13 June 2008.

TÍOP 3.2.1 – “Establishment of the framework setting of the integrated system through the development of the infrastructure of the employment service”

This priority project was designed to reinforce the background infrastructure of the Public Employment Service through building / infrastructure development investments, the procurement and development of IT and self-information devices needed for the establishment of the integrated employment and social service system at 12 offices of the convergence regions.

Envisaged activities under the priority project:

- creation of the open information area;
- perfection of the external/internal appearance of the offices;

– hardware procurement; establishment of M-points¹ and administrator workstations. The application has been submitted and the deficiencies have been corrected as well. Contracting is expected to take place in the first half of 2009.

TÁMOP 2.5.2 – “Reinforcement of the professional background of partnership and dialogue; support for joint initiatives”

Project objective: to make organisations involved in social dialogue capable of carrying out efficient and effective negotiations and concluding agreements to promote the enhancement of social security and cohesion and the spread of a correct, law-abiding behaviour in the world of labour.

Contracting took place in December 2008; implementation has begun. The professional executor of the project is the Social Dialogue Centre.

TÁMOP 5.4.2 – “Central social information developments”

Project objective: to upgrade the central electronic services required for the modernisation of the social sector, the transparent operation, control, planning and decision support of its services, that is, the deployment and modernisation of the central administration system of this branch. This construct is organically related to the priority project TÁMOP 5.4.1: “Modernisation of the social service, enhancement of the central and regional strategic planning capacities, grounding of social policy decisions”, the beneficiary of which is the Institute for Social Policy and Labour. Close professional contact between SZMI and NESO is a prerequisite of the effectiveness of the project, since the two priority projects are interrelated and complementary.

In the wake of the programme developments the IT systems supporting the central administrative work-flows of the institutions and services of the sector (operation permit administration; electronic inspection; branch reporting and electronic data supply system), as well as information provision to professionals and to the lay public and on-line service provision will be deployed and upgraded.

The preparations of the project plan are underway. Contracting is expected to take place in the second half of 2009.

¹ Computers with Internet access

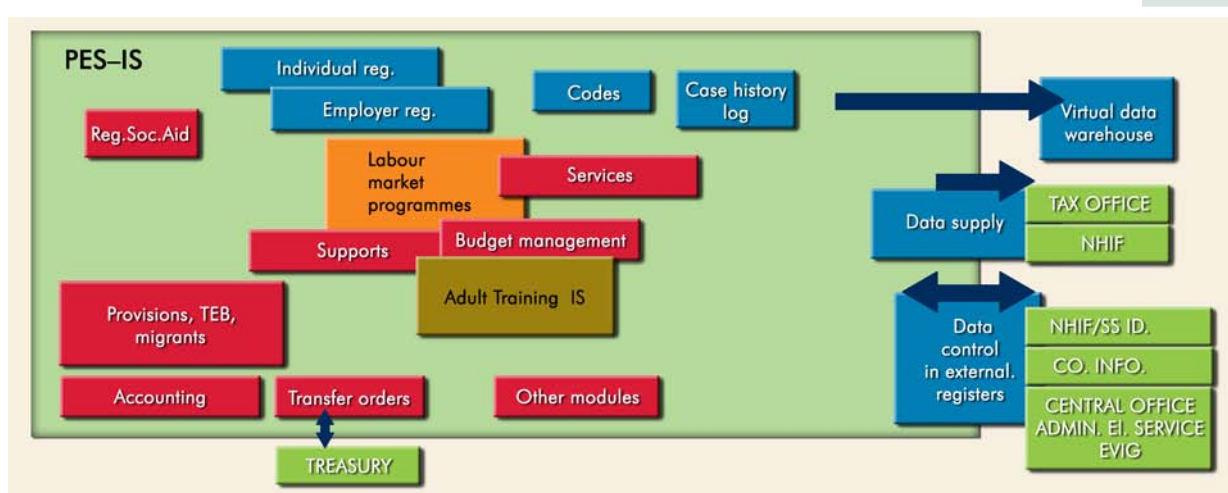
Introduction of the integrated IT system

The task

The objective of the project launched in February 2006 was to integrate into one system based on central databases the support functions of administrative work taking place at the offices and the Regional Training Centres (active and passive measures, training course management), and of the background services (accounting, data supply). The PES IS system went into production in several phases, from March 2007 to January 2009. The change-over to the new, integrated, system had to be implemented parallel with the uninterrupted, safe and smooth operation of the daily workflows of the PES and also the re-loading, preservation and quality improvement of the PES data warehouse. In Phase I, the modules related to the management of the shared data (masters and code dictionary) and the registration modules were introduced. During transition, case management continued under the former systems. The old and new systems co-existed for 18 months; the local systems received the data under PES-IS via direct data links (synchronisation). Phase II went live on 8 January 2009, and it covered the provisions, the active labour market measures, the human services and training management as well as accounting, payments and budget monitoring processes. Higher demand for information services has made it imperative to develop a service capable of treating and presenting management information at several levels, and PES chose the data warehouse technology for that purpose.

The outcome

The previous, fragmented IT support systems have been replaced by the standardised central PES-IS system in the following areas:



Activity of the regional training centres in 2008

Training and services provided to job-seekers on the basis of framework agreements concluded with the regional employment centres (RECs) has remained the predominant component of the activity of the regional training centres (RTCs). The centres provided training equivalent to 1 867 157 trainee days in 2008, of which 1 035 077 days on commission of the RECs. The HUF3 174 million funds allocated for this purpose represented around 60% of the annual budget of the centres.

Training provided in RTC/REC co-operation, funded from the Employment Fund Segment of the MPA, 2008

REC	RTC	No. of courses	No. of participants
Central Hungary	BMIK, Budapest	38	6 527
Southern Great Plain	BRKK, Békéscsaba	96	3 904
Northern Great Plain	DRKK, Debrecen	34	2 246
Northern Hungary	ÉRÁK, Miskolc	62	1 607
Southern Great Plain– Central Hungary	KRKK, Kecskemét	254	8 504
Northern Great Plain	NYRKK, Nyíregyháza	54	2 124
Southern Transdanubia	PRKK, Pécs	157	4 430
Western Transdanubia	SZORKK, Szombathely	87	1 820
Central Transdanubia	SZRKK, Székesfehérvár	78	5 716
Total		860	36 878

40.3% of the approximately 37 thousand persons trained under the RTC-REC co-operation scheme mastered NQR vocations; the rest participated in general training, studied job-search techniques; mastered basic competencies or learned a foreign language. Men and women were

represented equally among them; registered job-seekers made up 70.9% of the total trainee population, as opposed to 54% in the previous year. Almost half of the trainees belonged to the age group of 19–34. One third had maximum primary education, and 5% among them less than that. The change in the occupational structure of training reflects the trend of the previous one or two years. The demand (of employers and also trainees) for vocations needed in the production branches has kept rising; in parallel, the importance of the service sector vocations declined, especially in the area of the personal services.

In their capacity of public institutions of adult training, the core activity of the RTCs is the delivery of training to the social groups in the most disadvantageous labour market situation. It is imperative to take into consideration the regional aspects, and to offer training to the residents of the multiply disadvantaged small regions. In case of applicants with identical parameter values, this is the decisive criterion of selection.

In addition to the RTC-REC co-operation scheme, various tenders funded centrally/by the EU also play a significant role in this activity. Participation in TÁMOP 1.3.1, “Take a step forward”, the “New course” programme dedicated to the training of public employees and other training tenders announced by the employment centres absorbed around 40% of the capacities. Under these schemes, the centres provided training equivalent to more than 800 000 trainee days.

Social activity of the National Employment and Social Office in 2008

The social authority functions of NESO have shown steady expansion. One of the key milestones was 1 January 2008, when the Office was given new powers in regard of the social services, namely the fulfilment of the central inspection function, and another was 30 July 2008, the initial date of NESO's social service organisation tasks.

Central inspection of social institutions

The inspection plan for 2008 defined the professional goals, areas and dates of the inspections in 4 groups:

Priority inspection programmes: Inspection and rating of support services and public provisions, to be adequately prepared for the delivery of public functions. A total of 957 services were inspected, including 566 support services and 391 public provisions.

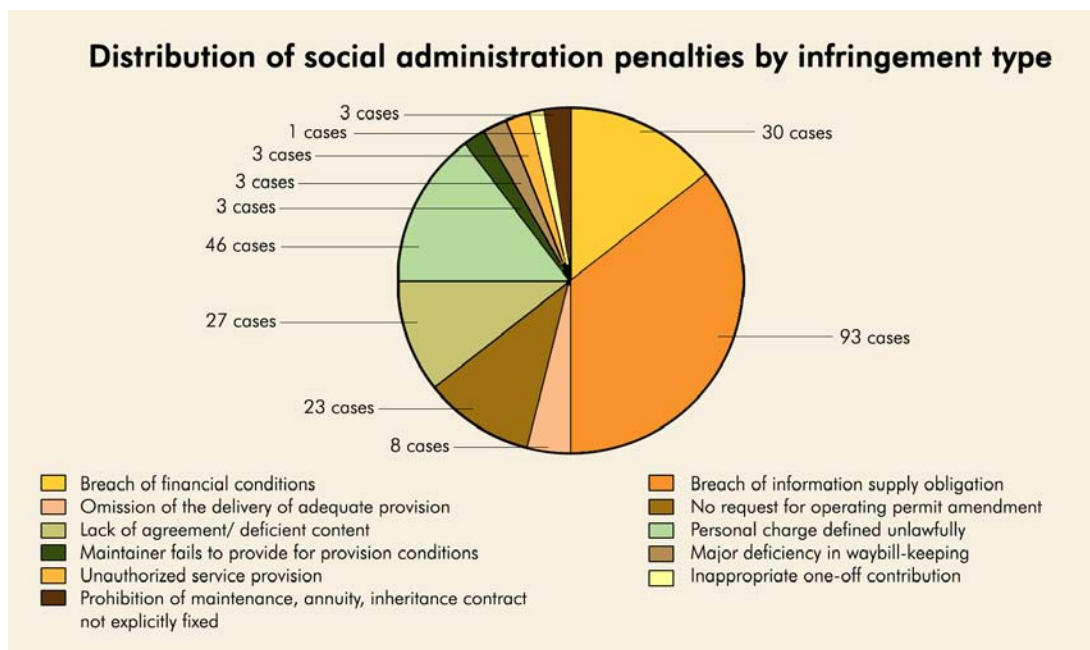
Complex inspections: 12 residential social institutions offering full provisions to some 3000 elderly persons were subjected to comprehensive full-scale inspection.

Targeted inspections: With the inspection targets of "Complaints, assertion of beneficiaries' rights, the legal remedy system and the operation of interest representation", 18 residential social institutions were inspected in November/December, based on a specially designed set of inspection criteria. To select the institutions subjected to targeted inspection, we got in touch with the social and guardians' offices, which recommended several institutions based on the complaints they received.

Extraordinary inspections: In answer to the request of the Ministry, on the basis of complaints lodged against service providers, we carried out on site inspection at 3 village steward services. By the end of 2008, a total of almost 1100 on site inspections had been carried out.

As of 1 January 2008, the relevant legislation opened the way to the application of a new sanction in the social area: the social administration penalty. The authority responsible for the operating permit of an entity can impose, repeatedly, the penalty (of max. HUF200 000) in specific cases defined by legal regulation on the infringing maintainer or institution head. In 2008, NESO levied social administration fines in a total of 104 cases and 243 infringements, of a total amount of almost HUF6 million. A significant part of that amount had actually been collected by the end of the year from the subjects concerned – who admitted their deficiencies and corrected them. In 22 cases, legal remedy was sought at the Ministry against the penalty resolution. The superior

authority of NESO confirmed 17 resolutions, altered 4 and annulled one. The distribution of the infringements having led to the penalty are shown in the following chart:



Service organisation functions

Pursuant to Government Decree No. 191/2008. (VII. 30.) on the order of financing of support services and public provisions, the National Office of Employment and Social Affairs is responsible for the public organisation of these services (and their even regional distribution), the relevant tendering and financing procedures and the deployment, control and inspection of a standardised system of professional task resolution and documentation.

One of the key task was to draw up the standard operating procedures of the new function; the specification of the contractual relationships and contents, the preparation of the call for tenders and the completion guide and the performance of the administrative and information provision tasks related to the tendering process. We have prepared the service maps showing the support and public services before the tender and the ones hosted after it.

Distribution of support services by county, May 2008 (540 services)



Budapest: 57

Services included in the tender, December 2008 (343 services)



Budapest: 89

Distribution of public services by county, May 2008 (361 service providers)



Budapest: 64

Public services included in the tender, December 2008 (188 service providers)



Budapest: 48

On the basis of the maps, it is easy to compare the number of service providers before and after the tender.

Of a total of 722 applications, the Minister of Social Affairs and labour and the General Director of NESO granted support to 531.

Second-instance authority functions

As of 1 July 2007, NESO is authorised to rule an appeal, and it acts as inspecting agency in official cases related to the authorisation of social, child welfare and child protection functions of the social and guardians' offices, and in regard of the normative state contribution, church supplementary contribution and social employment support provided by the Hungarian State Treasury to the church and non-state maintainers of child welfare and protection service providers and institutions. NESO passed 146 second-instance decisions in 2008 acting in this capacity.

Representation in litigation

It is possible to appeal for court supervision against a second-instance decision taken by the General Director of NESO, with reference to infringement. In 2008, 11 lawsuits were terminated and 6 were still in progress at the end of the year. In six cases, the court proceedings ended with the rejection of the claim of the plaintiff; on one occasion, the plaintiff revoked the claim, and the court terminated the proceedings; two cases ended with the upholding of the agreement concluded between the plaintiff and the Office and in another two cases, the court ordered to annul the second-instance decision and start new proceedings. The number of Supreme Court revisions was 4; 2 cases were won by the Office, and the other two were still in progress at the end of the year.

Record-keeping

Expert activity as defined in the relevant sector-specific legal regulations may be performed exclusively by persons in the Lists of Social Policy and Child Protection Experts, respectively. NESO is responsible for the reception of requests and applications for inclusion in the Lists; their preparation for decision-making; the operation of the evaluation committee; the publication of the Lists and the (continuous) training of the experts concerned. In 2008, there were two tender rounds, and a total of 130 persons requested inclusion in one of the Lists.

By the end of 2008, a total of approximately 3800 maintainers and 7000 permit-holders were recorded in the register called "National register of social, child-welfare and child-protection service providers and institutions"; there were some 20 thousand licensed services in all. In the fourth quarter, the national register became public, the data in the register are displayed on the www.afsz.hu and the <http://szociálisregiszter.afsz.hu> websites.

Employment rehabilitation support

The year 2008 represents a milestone in regard of the labour market (re)integration of persons with changed work capacity. The complex rehabilitation system introduced with effect from 1 January 2008 expanded the competence area of the PES. The aim of complex rehabilitation is to develop/maintain the capabilities of persons with changed work capacity; to promote their participation in social life and their independent living. It is most important that the services and supports be custom-tailored in order to maximise the placement chances of the person concerned.

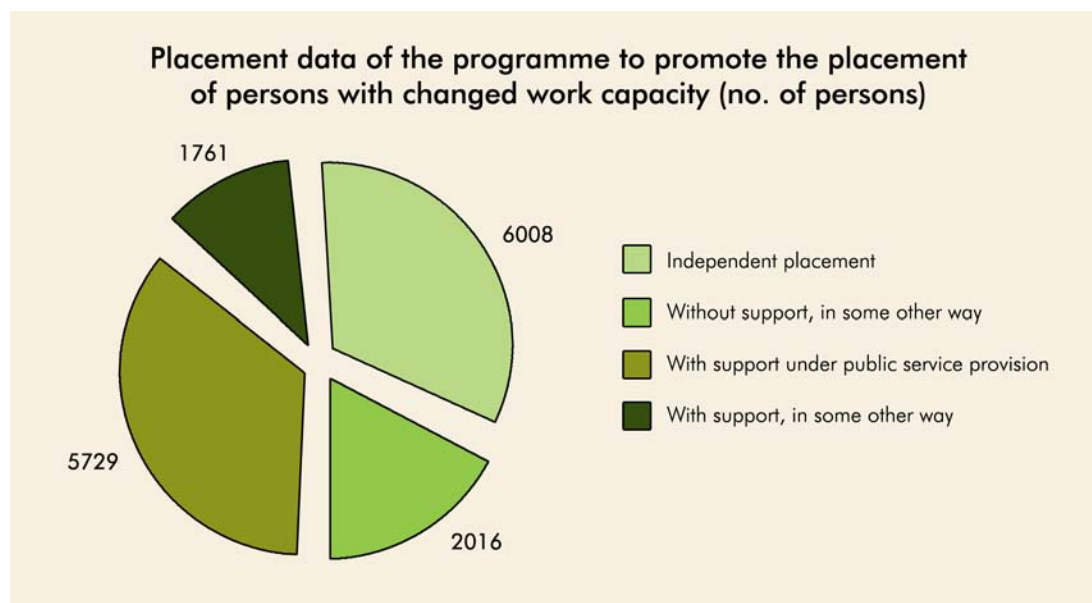
The novelty of the system lies in that the complex assessment of persons with 50–79% health impairment focuses on the remaining, not the lost work capacity. The complex assessment takes place in expert committees consisting of two medical, one employment and one social expert. First-instance examination is performed at 22 places, by 56 committees, always with the contribution of the employment experts of the PES. In 2008, the expert committees recommended 5 946 persons for rehabilitation benefits.

However, to date, rehabilitation benefit receivers represent but a minor segment of the group of persons with changed work capacity. The rest, i.e. those who have not been included in the rehabilitation benefit system, could have recourse to several forms of support in 2008, which promoted their placement to a very significant extent. The programme to promote the employment of disabled persons involved 1 436 persons in 2008, and 37.5% among them, i.e. 1.5% more than in 2007, found a job. The number of persons who found a job on their own, without assistance, was as high as in 2007: their number exceeded that of successful placements with support by 7%, which represents decline by 12% compared to 2007.

The financial background of the services concerned is provided by Priority Project 1.1.1 of the Social Renewal Operational Programme, launched on 1 March 2008, and by the Labour Market Fund.

As far as wage subsidy provided from the central budget for the purpose of rehabilitation is concerned, in 2008, both the number of beneficiaries and the disbursed subsidy amount increased substantially. The latter exceeded the corresponding figure in 2007 by almost 70%. In 2008, a total of 1 247 accredited employers had recourse to this form of support, to employ 32 429 persons with changed work capacity. Since 1 July 2007, eligibility for this form of support has been limited to accredited employers. There were calls for tenders to employers for the creation of new workplaces/adjustment of existing ones with support for employees with changed work capacity/disability. 261 organisations and 1 910 persons were provided support of more than HUF2.8 billion in all from the decentralised budget of the Rehabilitation Fund Segment of the Labour Market Fund. More than 95% of organisations were provided support to create an inclusive workplace; in regard of the beneficiaries, the corresponding rate was 88.7%.

The main data of the programme in 2008 are shown in the chart below:



The complex rehabilitation system was prepared and its bases were laid in 2008, but real work will start in 2009. It is expected that the number of persons involved in Priority Project 1.1.1 of the Social Renewal Operational Programme will rise suddenly in 2009, since the engagement period will end on 28 February 2010, and close to 10 000 persons will have to be involved in the project by that time.

Accreditation activity

The legislative environment in effect since 2 November 2005 in regard of employers of persons with changed work capacity defines a standardised set of conditions applicable to employers, and it has made it possible for the National Employment and Social Office to inspect compliance with the requirements. Since the institution of the new reference framework, the accreditation procedure itself – the evaluation of the request – represents the first major filter for employers.

In answer to the 1 976 applications for accreditation received until 31 December 2008, 1 573 certificates were issued, and 159 procedures ended with rejection or revocation, that is, 12% of procedures had a negative outcome for the applicant employer.

Advancement of the dialogue of the social partners

Social Dialogue Centre

The Social Dialogue Centre (SDC) handles the funds allocated for the performance of the tasks imposed by the Programme of Operation as EU Member State on the interest representation organisations of employers and employees, respectively and on the National Interest Reconciliation Council (Hungarian abbreviation: OÉT). Tender-based support for the programmes of 2008 is provided on the basis of the Agreement of the Ministry of Social Affairs and Labour and the 15 organisations on the employer and employee sides of OÉT. In 2008, the programme budget was HUF1.5 billion.

Priority activities in the implementation phase included the development of local-level interest reconciliation; information provision on topical economic policy issues; implementation of the related branch-level interest protection tasks; active participation in the planning and monitoring of the programmes of the New Hungary Development Plan and regular contribution to professional activity of EU institutions.

The performance of the above tasks was accompanied, on the side of the employers and also of the employees, by tender guidance, the review of the various aspects of employment promotion, the operation of legal assistance services and regional and national training events on various issues concerning industrial relations and employment-related interest reconciliation.

The framework budget for the preparation of the branch dialogue committees (BDCs) and the social partners involved in them and for support to the BDC programmes corresponds to 0.08% of the contributions paid by the employers and the employees in the second year before the reference year. In the Budget Act of 2008, this amount was HUF198.8 million. The guidelines of support allocation have been adopted by the BDC Council.

The effective operation of the BDCs makes branch-level industrial relations more predictable; it promotes the dialogue of the branch-level social partners and the conclusion of branch-level collective agreements, and it simplifies their extension. The BDCs are ideal for the social partners to discuss issues of relevance for their branch that are within their competence and to initiate joint action, training events and joint projects.

In Hungary, this new institution of interest reconciliation has become accepted over a short time, hardly half a decade, in spite of the fluctuating intensity of bipartite interest reconciliation between the branch social partners. To date, the BDCs already have an accepted, incontestable, role in the social dialogue system.

Labour Mediation and Arbitration Service (LMAS)

The mission of the Labour Mediation and Arbitration Service is to participate in collective labour disputes with guidance and with mediation and arbitration upon request. In 2008, the Service received 5 requests for mediation. These included branch-level labour disputes, and also small- and large-enterprise-level conflicts. Mediation was effective in 4 cases (i.e., they ended with a written agreement), and one case is in progress.

In 2008, LMAS detected 7 labour conflicts in relation to which it offered its assistance to the parties concerned. Mediation followed in 2 of the 7 cases, and in another 2 they provided guidance.

Regional work strengthened further in 2008. The Service has regional representations in 3 of the 7 regions of the country (Southern Transdanubia, Northern Hungary, Southern Great Plain). The regional representatives keep in touch with the regional interest representation agencies, the employers, the representatives of the press and the major higher education institutions. Their functions include the co-ordination of mediators active in their region.

The mediators were asked to provide counsel in 22 cases in 2008. This number was higher than in the previous year. The number of contacts and counsel requests communicated personally or on the phone exceeds 100 annually.

Another part of the counselling activity was realised in the form of programmes organised with the social partners, to as large an audience as possible. Professional events carried a special weight within the counselling block. These were typically organised jointly with a professional or regional interest representation body.

Consensus-based management and development of the indicators

The system of consensus-based management by objectives (MBO) introduced in 2005 has been used to measure the effectiveness of the operation of the organisation and it has been upgraded continuously. Whereas in 2007 8 key indicators suitable for monthly assessment were used, in 2008, their number was raised to 11 (there are actually 12 indicators now, considering also the satisfaction indicator, which is assessed less frequently), but as compared to the years before 2007, the number of the indicators to be specified in the plans has been reduced.

The experiences and events of the past years raised the demand for the amendment and simplification of the indicators. As a result of the development activity and of consultations with and proposals of the regional experts, a distinction has been made between the performance evaluation of the service delivery process and the use of the active measures on the one hand, and the indicators to measure the effectiveness of job brokerage on the other. Consequently, prevention, restart and combined indicators have been designed.

The Secretary of State of Employment and Training of the Ministry of Social Affairs and Labours issued a guideline for the regional PES centres concerning the preparation of their labour market plans for 2008.

In consideration of the guideline and also the “Guidelines for PES in 2008” released by the Ministry, work has to focus on the following tasks to raise the employment propensity and the employment rate:

1. The PES shall significantly increase its activity to identify vacancies.
2. It shall widen contacts with the employers and improve the quality and efficiency of co-operation with them.
3. It shall mediate adequate job-seekers for the identified and reported vacancies within 5 days.
4. The National Employment and Social Office shall prepare a standardised directive to promote, in the interest of the prevention of long-term unemployment and of redeployment at the earliest possible date, active assistance to the job-seeker within 3 months of his/her registration.
5. Assistance to promote the employment of the residents of the most deprived areas. The various forms of support to promote mobility should be used more intensively than so far in areas at a disadvantage where appropriate jobs are available within reasonable commuting distance.
6. NESO shall work out an adequate system to measure and monitor the process.

For the sake of the measurement and monitoring of the above, NESO designed and introduced two more indicators by 20 March 2008.

– Number and rate of beneficiaries of services of merit/active measures within three months.

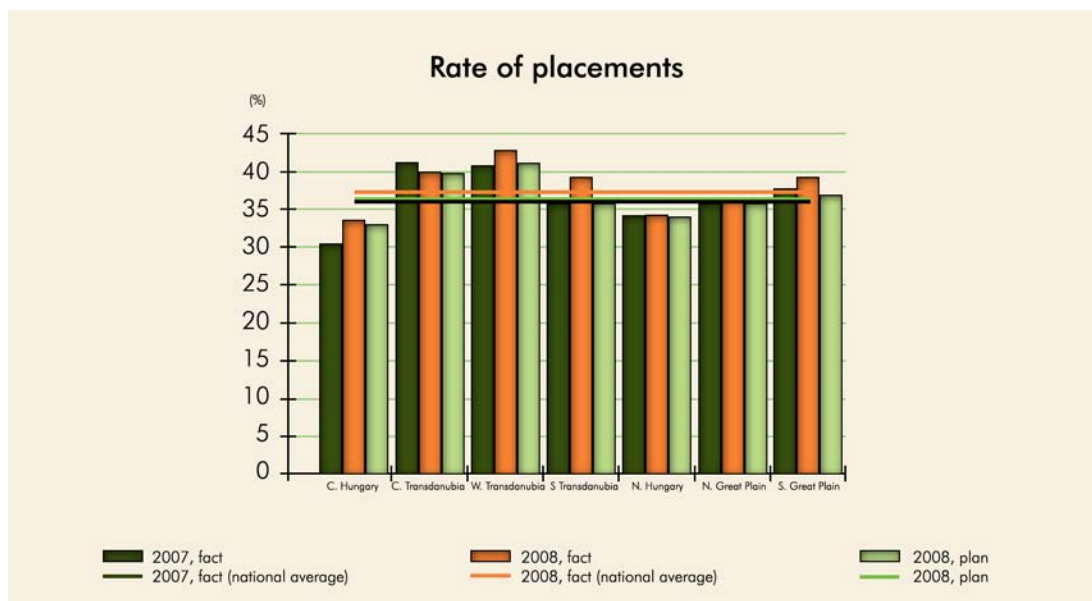
– Rate of jobs within the total stock of identified and reported vacancies in relation to which steps of merit/mediation has taken place within 5 days.

As before, planning was driven by the “bottom up” principle in 2008: the offices specified their envisaged targets, and these were aggregated to define the regional and the national target values.

The regional targets specified by indicator and by office have mostly been met; with significant differences, of course, by region and also within each region.

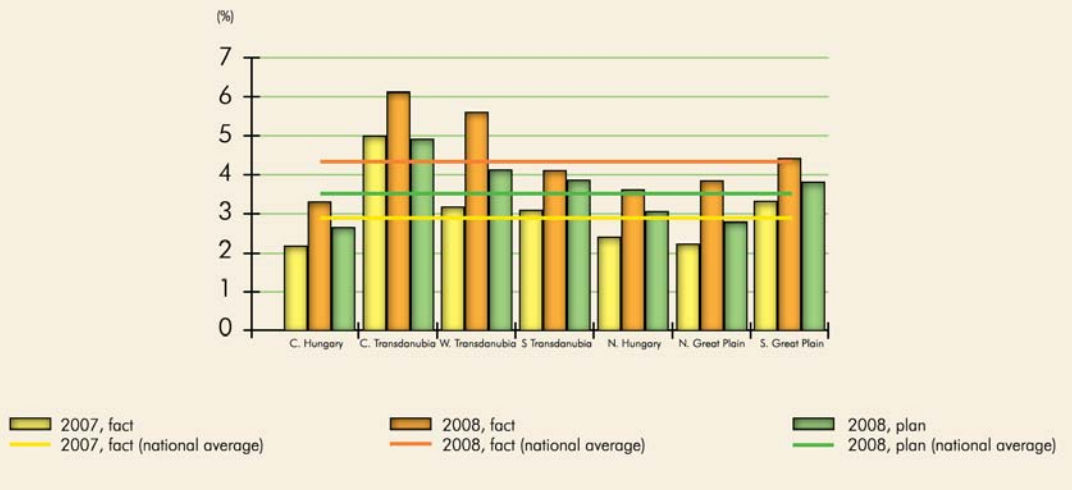
The key indicators

In 2008, the majority of job-seekers found a job independently (349.3 thousand), and around one third did so with some support. The offices outperformed their targets by 6.7%.



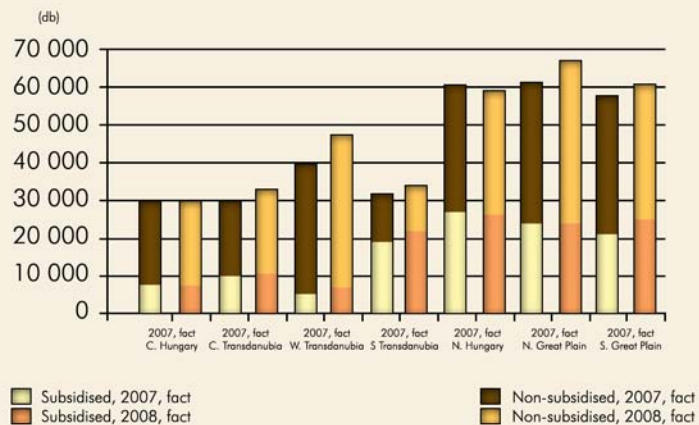
The composition of the reported vacancies was highly different by region. In regions in a more unfavourable labour market situation, a bigger share of the reported vacancies referred to subsidised jobs, whereas in the others, the situation was the inverse. The regions outperformed their targets by 5.1% in regard of the reported vacancies.

Rate of participants in labour market training



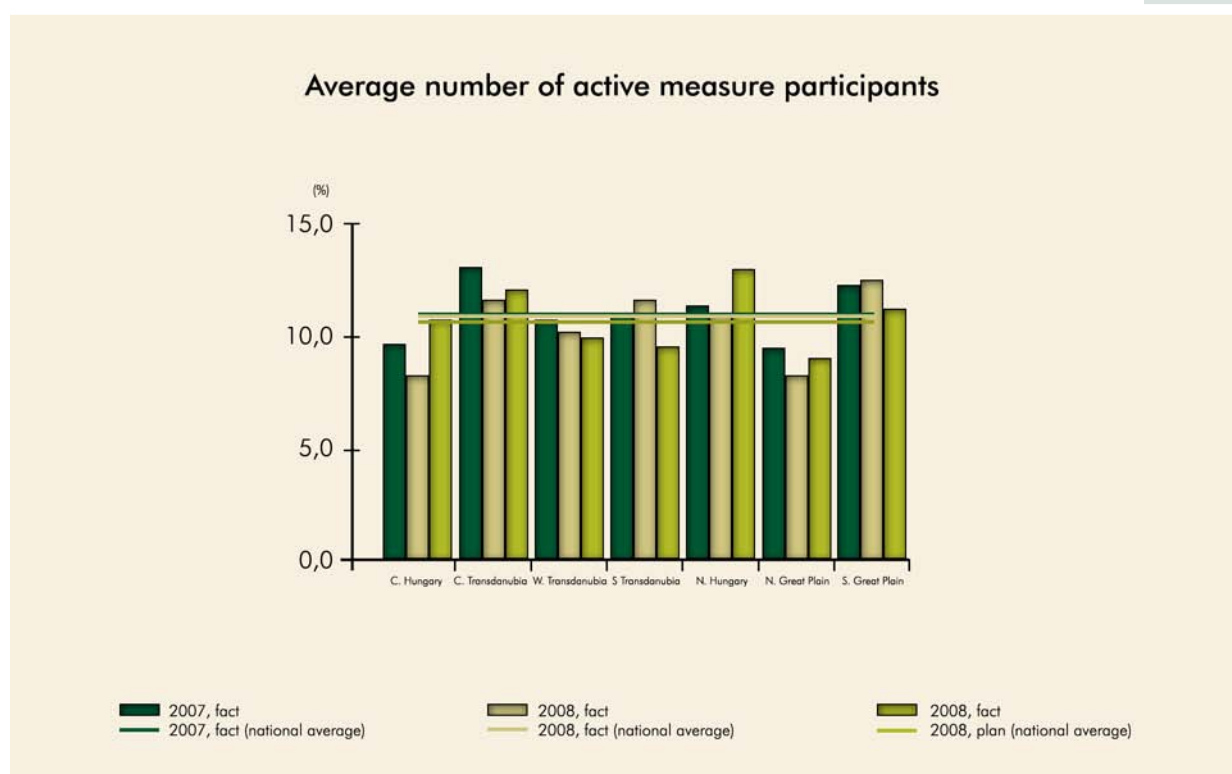
In 2008, 40 102 took part in labour market training with support, i.e. more than 1.5 times as many as in the base year, and 28% more than planned in the beginning of the year. The higher number of

No. of reported vacancies in the reference period (not including vacancies for foreign nationals)



persons involved in training was due to a decisive extent to the start of TÁMOP Programme 1.1.2 (Decentralised programmes advancing the employment of persons in a disadvantageous situation).

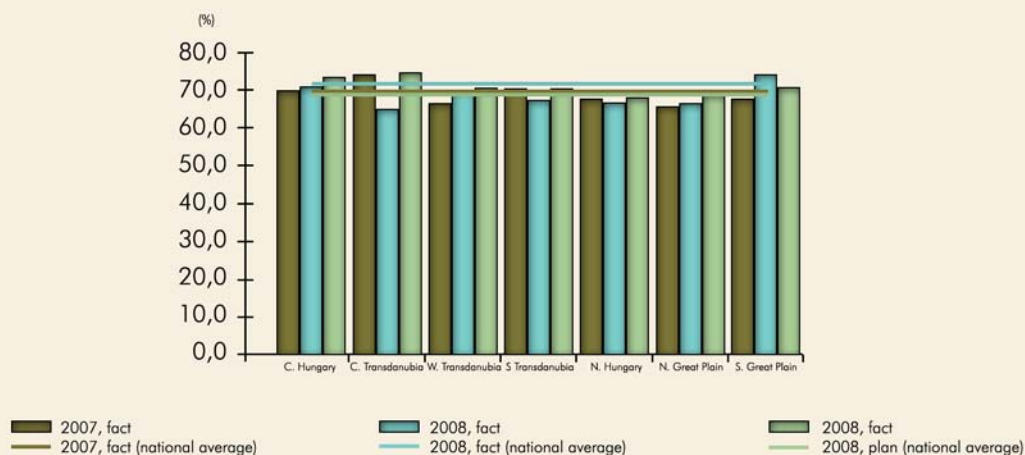
As for the active measures offered to jobseekers, the number of participants of public works and community service work and of recipients of wage subsidy (labour market programme), and of support for would-be entrepreneurs, respectively, increased fastest as compared to the reference year.



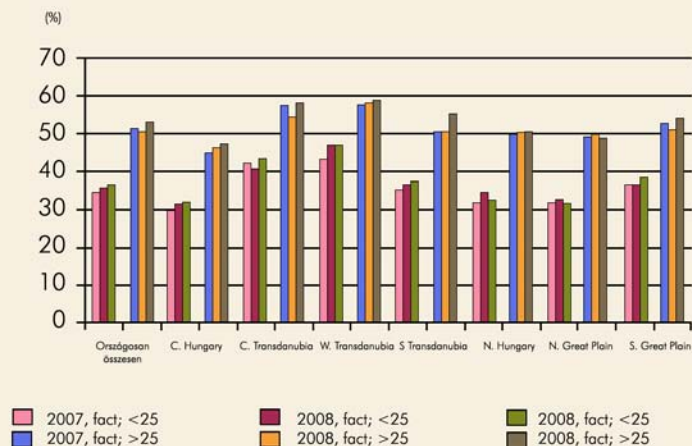
The number of persons exiting the active measures and not in the register 3 months later dropped by around one tenth; their rate (68.7%) within all exits has by and large remained unchanged as compared to the previous year.

As shown by the restart indicator – 6 and 12 months after entry for those below and over 25 years of age, respectively – the rate of the beneficiaries of active measure support or of successful placements increased in 2008.

Active measure participants not in the register 3 months after the termination of their programme



Restart indicators: Rate of beneficiaries of active measure support or successful placements to all entrants



In summary, the regional employment centres have generally used the resources at their disposal very well. They have met the decisive majority of their targets.

Research activity

Research to support the activity of the leaders and designers of employment policy and of the organisations involved in its implementation is funded from a special budget allocated for this purpose on an annual basis.

The following research projects were realised in 2006–2008:

- Social dialogue about the pension reform (Financial Research PLC)
- Reforms and reform strivings to transform the pension systems (Financial Research PLC)
- Analysis of the labour market trends in Hungary (HAS Institute of Economics)
- Fine-tuning of regular labour economic data with the help of micro-data (HAS Institute of Economics)
- Efficiency testing of Hungarian labour market policies (HAS Institute of Economics)
- “Does it pay to work?” – Investigation of the interest in and propensity for employment of long-term unemployed women (Revita Foundation)
- Motives of the absence from the labour market of inactive persons capable of work (Regio-Data GP)
- Further development of a Labour Science Databank (HAS Institute of Economics)
- Studies prepared under the HAS project: “National social dialogue within the framework of tripartitism and beyond” (NESO)
- Fulfilment of the co-operation obligation of regular social aid recipients (SZIGE Association of Social Administration Pilot Sites)
- Situation of telework and other flexible work instruments in Hungary (HAS, Research Institute for Sociology)
- Realisation of the migration plans of persons wishing to engage in employment abroad (Kopint TÁRKI)
- Labour market consequences and impacts on job-search and placement of the changes of the employment provision system (Budapest Corvinus University)
- Harmonisation of the labour supply prognosis based on the education model and of the county labour accounts (Active Society Foundation)
- Special problems of industries with predominantly female employees (Economic and Social Research Institute Foundation of the Trade Unions)
- The extent of employment (Active Society Foundation)
- Measurement and monitoring of the spread of telework in Hungary (Via D’oro Administration Development Consulting and Service Provider Ltd.)
- The Hungarian social provision system in information society (Via D’oro Administration Development Consulting and Service Provider Ltd.)

The Labour Research Information System (Hungarian abbreviation: MUKUTIR) database, offering electronic access to the summaries of the contents of the research projects, has been active since the second half of 2007: <http://mukutir.telco-system.hu>

International activity

Social security of migrant workers in the European Union

Thanks to the harmonised social security systems of the Member States of the European Union, Hungarian nationals have the right not only to employment abroad, but also to health care, pension and unemployment provisions. The harmonisation of the social security systems and the related administration, that is, the migrant system, has sound legislative and IT bases in the European Union. In Hungary, the operation of the national migrant network is co-ordinated by NESO.

The so-called E-forms are handled by the competent PES offices. We consider it a priority task to provide adequate information to the public: we strive to present as extensively as possible the migrant provision system of the European Union through various publications and audiovisual devices. The recent unprecedented turnover of E-forms is probably due at least in part to the economic crisis: many have lost what used to seem secure jobs abroad.

EURES actions

Mobility Day (International Job Fair)

Two international job fairs were organised in 2008 (in April and October), which gave an opportunity to some 7000 job-seekers to meet with Hungarian and foreign EURES advisers and the representatives of foreign employers and partner organisations. The event had extensive press coverage, and both the exhibitors and the public pronounced very favourable judgements on it.

EURES road show

As part of the EURES road show, 2 EURES advisers from Austria, the Netherlands and Germany, respectively, held presentations to job-seekers and EURES advisers in 13 towns of the 7 regions on the conditions of work and living in their countries. The programme events were visited by some 200 colleagues involved in EURES matters and more than a thousand job-seekers.

Information fora, job fairs

EURES was present with a stand of its own at national, regional and county job fairs and such well-attended events as EFOTT, the Sziget Festival and the Valley of Magic, where our EURES

advisers informed the visitors of the services offered by EURES, the EURES Portal, the on-going recruitment projects, and the labour market situation and conditions of work and living of the Member States of the European Union.

The job fairs, organised mostly by universities and employment centres, provided an excellent opportunity to propagate the EURES services and to inform the interested visitors (mostly school-leavers, often degree-holders, with foreign language skills) interested in employment abroad. We took part in a total of around 200 events.

Recruitments

The promotion of the placement of job-seekers in the European Union and the satisfaction of the labour demand of employers have remained key tasks in 2008. Therefore, we organised recruitments in Hungary and took part in foreign job fairs as well.

Crossborder co-operations

The European Union gives special support to the development of the crossborder labour markets and the exploitation of crossborder employment opportunities. We used the budget available for this purpose to organise seminars to clarify the conceptual system of the crossborder labour market and to reach a consensus in this regard; to deepen co-operation and also to identify and eliminate any hindrances to mobility between the partners. In addition to the already established Slovakian/Hungarian EURES-T Danubius partnership, we initiated a new crossborder partnership with our Austrian partners (EURES-T Pannónia), which started operation on 1 April 2009. Following the EU accession of Romania, we have paid special attention to migration along that border section, and we have made some preparations to have closer co-operation with our Romanian partners.

Nurturing of international contacts

NESO has most intensive bilateral and multilateral contacts. Under its co-operation agreements with Lithuania, Romania, Mongolia and the Walloon region in Belgium, regular information exchange and mutual expert visits take place. (A Latvian/Hungarian agreement was prepared in the last months of the year, and it was signed in March 2009.)

In addition to the formal agreements, NESO has more or less intensive work contacts with the Austrian, Danish and Swedish employment centres and ad hoc contacts with almost every PES of the EU Member States. The work contacts, too, take the form of information exchange and occasional professional consultations. We have also received several delegations from third countries (Azerbaijan, China, Malaysia etc.)

We regularly take part in the activity of the work groups of the European Commission, and we are still on the steering committee of WAPES, the World Association of Public Employment Services.